

SUPPLEMENTARY COST REDUCTIONS  
LOA 84

**SUPPLEMENTARY COST REDUCTIONS**

**LETTER #84**

**LETTER OF AGREEMENT**

**Between**

**US AIRWAYS GROUP INC, US AIRWAYS INC.**

**and**

**THE AIRLINE PILOTS**

**in the service of**

**US AIRWAYS, INC.**

**as represented by**

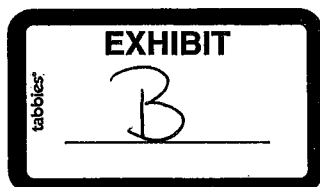
**THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

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**SUPPLEMENTARY COST REDUCTIONS**

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THIS LETTER OF AGREEMENT is made and entered into in accordance with Title II of the Railway Labor Act, as amended, by and between US Airways Group, Inc. (hereinafter referred to as "US Airways Group), US Airways, Inc. (hereinafter referred to as the "Company") and the Airline Pilots in the service of US Airways, Inc. as represented by the Air Line Pilots Association (hereinafter referred to as "ALPA" or the "Association").



L84-1



SUPPLEMENTARY COST REDUCTIONS  
LOA 84

23 WHEREAS the Company and Association have studied the current situation of US  
24 Airways and have concluded that additional cost reductions beyond those in the July 1,  
25 2002 Restructuring Agreement ("Restructuring Agreement") are necessary to sustain the  
26 airline through bankruptcy and to achieve ATSB approval for a loan guarantee and,

27 WHEREAS the parties have agreed to enter negotiations to develop a  
28 comprehensive program of additional cost reductions including compensation,  
29 productivity and benefit modifications in order to ensure **US** Airways' emergence from  
30 bankruptcy and approval of an ATSB guaranteed loan.

31 NOW THEREFORE the parties mutually agree to amend the Restructuring  
32 Agreement as specified in the following Attachments, contained below: A.) Revisions to  
33 Restructuring Agreement, B.) Health and Welfare Benefit Changes and C.) Pension Plan  
34 Changes. Other than as specifically modified in these documents all terms and  
35 conditions of the ALPA-US Airways Collective Bargaining Agreement effective January 1,  
36 1998 as amended by the Restructuring Agreement (hereinafter referred to as the  
37 "Agreement") shall remain in full force and effect.

38 It is recognized that the Restructuring Agreement and the Revisions to the  
39 Restructuring Agreement (Attachments A,B, and C) are amendments to an existing pre-  
40 bankruptcy petition collective bargaining agreement and do not alter existing priority of  
41 payment rights in the Company's current bankruptcy proceeding, subject to the  
42 provisions of the assumption paragraph of Attachment A.

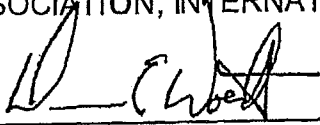
43 This Letter of Agreement shall become effective under the terms and

SUPPLEMENTARY COST REDUCTIONS  
LOA 84

conditions and on the date specified in Attachment A.

IN WITNESS WHEREOF, the parties hereto have signed this Letter of  
Agreement this 13<sup>th</sup> day of December, 2002.

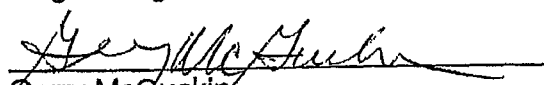
FOR THE AIR LINE PILOTS  
ASSOCIATION, INTERNATIONAL

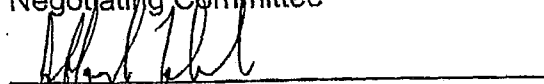
  
Duane E. Woerth, President

ris eebe  
MEC Chairman

WITNESS for the Air Line Pilots  
Association, International

  
Kellyl son  
Negotiating Committee Chairman

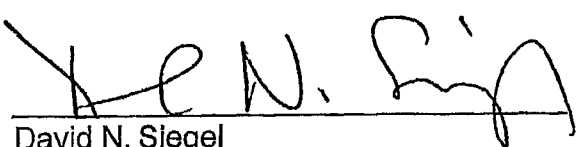
  
Gerry McGuckin  
Negotiating Committee

  
Jeffrey L. Tokash  
Negotiating committee

  
Phil Carey  
Negotiating Committee

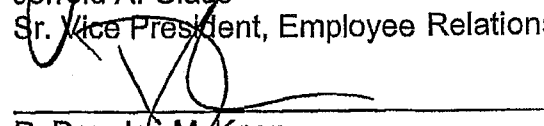
  
Donn Butkovic  
Negotiating Committee

FOR US AIRWAYS GROUP, INC.

  
David N. Siegel  
President and CEO


FOR US AIRWAYS, INC.

  
Jerrold A. Glass  
Sr. Vice President, Employee Relations

  
P. Douglas McKeen  
Vice President, Labor Relations

WITNESS for US Airways, Inc.,

  
Edward Bular  
Vice President, Flight Operations

  
Anthony J. Bralich, Jr.  
Managing Director, Labor Relations-Flight

  
John H. McFall  
Manager, Labor Relations-Flight

**Attachment A**

**Revisions to Restructuring Agreement**

**EFFECTIVE DATE:** January 1, 2003

**ASSUMPTION:** The ALPA Revisions to the Restructuring Agreement as set forth in this Attachment A shall only continue in effect if US Airways Group and the Company, as Debtors in Possession, provide for the assumption of the Agreement as modified by the Restructuring Agreement and by this Attachment A in any plan of reorganization proposed or supported by the Debtors that provides for the reorganization of the Company as a stand alone operating company.

**HOURLY RATES OF PAY:** The actual hourly rates of pay to be paid to all pilots under the Agreement will in each year be less than or greater than the actual hourly rates of pay specified under the Restructuring Agreement (*i.e.*, the actual hourly rates as increased each May 1) by the following percentage amounts. These percentages are not cumulative but are in each instance an adjustment of the hourly rate of pay that would otherwise have been paid under the Restructuring Agreement in the applicable pay period. Hence, in each year there will be two actual hourly rates of pay applicable to each position: the rate in effect from January 1 through April 30 and the rate in effect from May 1 through December 31.

YEAR	PERCENTAGE CHANGE TO APPLICABLE RESTRUCTURING AGREEMENT RATES OF PAY
2003	(8.0%)
2004	(6.5%)
2005	(5.0%)
2006	(0.0%) No reduction
2007	2.0%
2008	2.0%
2009 & beyond	As per Restructuring Agreement

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## PRODUCTIVITY:

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The Company may implement the following Productivity Improvements contingent upon satisfaction of the Minimum Aircraft and Minimum Block Hours conditions specified below:

1. Modify Duty Rigs and VM: Duty rig of 1:2.25 for day (0600 – 2159) and 1:2 for night (2200 – 0559); VM of 5 hour average with no floor and no ceiling
2. Vacation:
  - a. Permit cancellation of vacation to prevent a pilot from becoming inactive
  - b. Reduce daily pay and credit to 3:45 (for seven or more days) and 2:39 (for less than seven days)
3. Training:
  - a. Permit pilots to move early to new bid to avoid inactive with pay
  - b. Permit use of TDY or extend training hold until the next training class if a pilot is unable

to report for initial training and would become inactive with pay

c. Reduce 4:00 daily training pay to 2:50

d. Permit furloughed pilots if available, then disabled pilots to perform simulator training (same function as now performed by instructor pilots), in a number not to exceed 25% of the total number of Covered Pilots.

e. Build training lines to avoid bought trips

i. The number of training lines that can be constructed for training purposes will be no more than 15% times the number of pilots requiring IOE in a given bid month, but not less than 18 lines (calculated at 25 hours per pilot requiring IOE).

ii. Training lines will contain a mix of weekday and weekend duty periods

4. Claiming Sick Leave: A lineholder may claim sick leave to his line value for the month minus 5 hours unless the sick claim is for more than ½ of his line value, in which case he can claim up to his line value by use of his sick bank. A reserve pilot's sick claim, when added to his previous and subsequent flying and other credited time for that month, may not exceed his monthly guarantee, i.e., a reserve cannot claim sick time that would result in pay exceeding the minimum monthly guarantee.

5. Pay actual time for split trips

6. Rescheduling: Eliminate Section 25(F)4 (eliminates the requirement to call out a reserve rather than reschedule a crew already on duty regardless of the time frame, i.e., eliminates the reserves available/90 minute rule but preserves all other rescheduling provisions including notification, pay and return to domicile requirements of Section 25(F) and the Section 25(F) grievance settlement)

7. Modify reserve system — Implementation scheduled for no later than June 2004.

a. After the lines of time are awarded, the remaining pilots will bid and be awarded a reserve line.

b. Reserve pilots may bid for days off

c. Reserve pilots may bid up to 4 immovable days off

d. Continue with two categories of reserves (percentages of each to be determined by the Company; "S" reserves may be used out-of-base in the same manner as in-base)

e. The reserve pilot will have the choice to bid for either a short call line or a regular reserve line

f. If bidding on a short call line, pilots may bid for specific PT's during the bidding process

g. Future scheduling process for reserve pilots

i. Trips will be awarded to the pilot with the least amount of credited monthly projected hours (e.g., count vacation and/or training as projected hours). For purposes of determining credited monthly projected hours, daily sick pay shall be credited (but not to exceed the guarantee) upon completion of the bid month.

ii. Pilots with more available days than the trip flies will not be passed over, but may not pass.

iii. Pilots with fewer available days than the trip flies will not be passed over. A reserve pilot may split a trip for day(s) off, however, if there are no other pilots available to complete the trip, the Company may require a pilot to fly into his non-immovable day(s) off to complete the trip, and such day(s) off shall be restored. The Company may also require a pilot to split a trip for day(s) off. Notwithstanding the preceding sentence, the pilot, at his option, may fly into his day(s) off to complete a trip

- 124 and such day(s) shall not be restored.  
(blackout periods to be discussed)
- 126 iv. In the event that multiple trips are open at the  
127 time of processing, the pilot must select a trip  
128 which does not require a split if one is  
129 available (the pilot may negate a split by flying  
130 into a day(s) off)
- 131 v. Reserve pilots may not create a split if there  
132 are trips available which do not require a split
- 133 8. Accept the concept to replace primary lines, SAP,  
134 secondary lines, RTBS with a preferential bidding  
135 system (algorithm). Implementation scheduled for  
136 no later than June 2004.
- 137 a. Vendor must be mutually agreed upon
- 138 b. All algorithm parameters, constraints and  
139 interface must be mutually agreed upon
- 140 c. Any future changes to the algorithm or system  
141 user interface or parameters must be mutually  
agreed upon
- 143 d. ALPA and the Company will jointly approve all  
144 implementation steps through a Joint  
145 Implementation Review Committee (JIRC)
- 146 e. ALPA will be provided equal access to verify  
147 system settings, constraints and parameters  
148 (Within the Vendor's contractual  
149 limitations/restrictions, provided that, if the  
150 applicable contract does not permit ALPA to  
151 acquire its own copy of the software, then  
152 ALPA will be provided access to the  
153 Company's copy adequate to enable ALPA to  
154 verify the system settings, constraints and  
155 parameters)
- 156 f. Bidding interface will be accessible to pilots  
157 both inside and outside the Company's  
158 network (home personal computer via internet)
- 159 g. Increase the lineholder negative bank to 20  
160 hours. Once a pilot's negative bank exceeds  
161 15 hours, the pilot must eliminate the entire



- 162 negative bank balance over the next 6 bid  
 163 months. If not eliminated in full, the Company  
 164 will assign a trip(s) during the next 2 bid  
 165 months to eliminate the balance.
- 166 h. Line values must fall between 70 and 85 hours  
 167 (if unable to bid a line worth 70 hours or  
 168 greater, the pilot will be awarded 0 time)  
 169 (Agree to include implementation in the JIRC  
 170 and expedited arbitration under paragraph 1  
 171 with the understanding that any parameters will  
 172 not result in short block claims or a guaranteed  
 173 number of lines of flying). The following  
 174 statement will be on each published bid:  
 175 "Based on the projected credited time for the  
 176 month of X, the Company anticipates that X  
 177 number of lines of flying will be available for  
 178 monthly bid, absent unplanned or extenuating  
 179 circumstances."
- 180 i. Pilots awarded a line during the first run may  
 181 participate in a second process which will allow  
 182 the pilot to add additional time to increase the  
 184 amount of time in their line (JIRC to discuss  
 need for second run)
- 185 j. Trip pairings will be published (on paper and  
 186 electronically) no later than 5 days prior to the  
 187 opening of the bidding period
- 188 9. Accept the concept of an automated AIL.  
 189 Implementation scheduled for no later than June  
 190 2004.
- 191 a. All algorithm parameters, constraints and  
 192 interface must be mutually agreed upon
- 193 b. Any future changes to the algorithm or system  
 194 user interface or parameters must be mutually  
 195 agreed upon
- 196 c. ALPA and the Company will jointly approve all  
 197 implementation steps through the JIRC. All  
 198 unresolved joint approval issues shall be  
 199 subject to the expedited arbitration process  
 200 specified in paragraph 11 below.

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- d. ALPA will be provided equal access to verify system settings, constraints and parameters (Within the Vendor's contractual limitations/restrictions, provided that, if the applicable contract does not permit ALPA to acquire its own copy of the software, then ALPA will be provided access to the Company's copy adequate to enable ALPA to verify the system settings, constraints and parameters)
  - e. Bidding interface will be accessible to pilots both inside and outside the Company's network (home, personal computer via internet)
  - f. Must be an iterative algorithm similar to the current ISAP system
  - g. Automated AIL will run one day prior to trip departure
10. Accept the concept of modifications to the AIL. Implementation scheduled for no later than June 2004.
- a. Pilots awarded trip pairings which include a Saturday or Sunday as a result of preferential bidding will be required to work on those weekend days (similar to holiday trip protection)
  - b. Pilots will have the option to use the automated AIL to trip improve on weekend days for trips worth more or less time
  - c. Pilots may use the automated AIL to pick up time on days off, trip improve or reduce time, but must protect trips which fly over Saturday and/or Sunday (may trip improve, but must fly to touch those days)
11. If the parties are unable to resolve any issues concerning the modified reserve system, preferential bid system, automation of the AIL and modification of the AIL prior to October 1, 2003, such unresolved issues will be submitted to an arbitrator for resolution on an expedited basis. If the inability to agree on issues causes a delay in

241 implementation past June 2004, wage rates will  
 243 be reduced proportionate to the value of the  
 244 delayed productivity until the system is  
 implemented.

245 JETS FOR JOBS RATES: The Company may implement the following changes  
 246 to rates of pay for MidAtlantic ("MDA") and for Jets for  
 247 Jobs with Participating Wholly Owned Carriers and  
 248 Participating Affiliates:

249 1. Non MDA Jets for Jobs rates of pay

250 a. Captains paid in accordance with the  
 251 applicable contract with longevity under  
 252 that contract; no longevity credit for prior  
 253 US Airways service

254 b. First Officer rates pay top of scale under  
 255 applicable contract

256 2. MDA rates of pay for US Airways pilots

257 a. Captains paid in accordance with MDA  
 258 contract with longevity under that  
 259 contract; no longevity credit for prior US  
 260 Airways service

261 b. First Officer rates pay top of scale under  
 262 MDA contract

263 MINIMUM AIRCRAFT: As a condition of implementing and maintaining any of  
 264 the Productivity Improvements, the Minimum Active  
 265 Fleet specified in Attachment E of the Restructuring  
 266 Agreement shall be increased to 279 aircraft  
 267 (excluding SJs but including permanent bid plus 8%  
 268 for active spares) with daily utilization rate measured  
 269 monthly of no less than 10 hours, whether or not the  
 270 Company is in Chapter 11. The Minimum Active Fleet  
 271 number may be reduced only *as* made necessary by  
 272 a new force majeure event, which includes acts of  
 273 terrorism with a material adverse impact on  
 274 commercial aviation.

275 MINIMUM BLOCK HOURS: As a condition of implementing and maintaining any of  
 276 the Productivity Improvements, the Minimum  
 277 Scheduled Block Hours specified in Attachment E to  
 278 the Restructuring Agreement shall be increased to  
 279 936,900 (excluding SJs), whether or not the Company

is in Chapter 11. The Minimum Scheduled Block Hours may be reduced only as made necessary by a new force majeure event, which include acts of terrorism with a material adverse impact on commercial aviation.

FURLOUGH PROTECTION AS  
A RESULT OF PRODUCTIVITY  
IMPLEMENTATION:

Productivity Improvements specified in this Letter of Agreement shall be implemented in conjunction with attrition and shall not cause any pilots to be furloughed or displaced to an SJ. This paragraph shall not apply to the pilots already scheduled for furlough as a result of Permanent Bid 03 – 01.

SJs:

The Company may operate MDA as a separate division within mainline – US Airways, Inc. with such operation limited to Large SJs. Wages, benefits and work rules will match the AA Eagle pilots' agreement, (except that the following provisions of the Agreement, as amended by the Restructuring Agreement and this Letter of Agreement, will apply: Sections 1, 19, 20, 21, 25, and 29, and the Accelerated Arbitration of Selected Cases Letter of Agreement), beginning with the AA Eagle wage rates in effect on January 1, 2003. In addition, there shall be subsequent 2% increases on January 1, 2004, January 1, 2005, January 1, 2006, January 1, 2007, January 1, 2008 and 3% on May 1 of the succeeding status quo period (i.e., the period past the Agreement amendable date). Medium and Small SJs to be placed at Participating Wholly Owned Carriers and Participating Affiliates and the 150% MDA ratio shall no longer apply. A pilot may bid or be displaced to a Large SJ position subject to reasonable holds and freezes to be negotiated. A pilot displaced to an SJ position at US Airways will receive accrued furlough pay to be offset by SJ earnings. A pilot may accept voluntary furlough in lieu of displacement to a Large SJ position and will receive accrued furlough pay and a pilot on furlough may bypass recall to a Large SJ position; in either case, the pilot will then be offered recall when his seniority entitles him to a position on an aircraft larger than a Large SJ. Company pilots and pilots of Participating Wholly Owned Carriers will continue to have the same flow up and flow down rights between US Airways and such Carriers as they

do under the Restructuring Agreement with respect to MDA and US Airways. All of the terms in this paragraph will be part of the Agreement and subject to the duration clause of the Agreement.

RETIREMENT PLAN: See Attached

HEALTH AND WELFARE: See Attached

ENHANCED PROFIT SHARING: Enhanced profit sharing returns in exchange for participation in 200 million "Modified Restructuring Program" as follows:

Any year in which pre-tax profits exceed 7%, 50% of such profits in excess of 7% will be distributed to participating employees.

- Capped at \$100 million
- Program continues through status quo period
- 50% paid as lump sum payments
- 50% paid to defined benefit pension plan (or to defined contribution pension plan where an employee group has no defined benefit plan) above any minimum contribution requirements, but not in excess of maximum tax deductible contributions, under ERISA.
- Pre-tax defined as excluding unusual items

EQUITY PARTICIPATION: Per Restructuring Agreement, but accelerate the vesting schedule as follows:

- 25% on the first day of the month that occurs at least 60 days following emergence from bankruptcy
- 25% on January 1 of the year following emergence from bankruptcy
- 25% on January 1 of the second year following emergence from bankruptcy
- 25% on January 1 of the third year following emergence from bankruptcy

WAIVER: Neither of the execution, delivery, performance or implementation of the Investment Agreement (as the same may be amended or modified and in effect from

time to time) or compliance with the provisions thereof, the exercise of any rights or powers by RSA or its assignees, transferees or successors-in-interest thereunder, nor the transfer or other disposition by RSA or its assignees, transferees or successors-in-interest of any or all of its equity interest in US Airways Group, other than a transfer to a company a principal business of which is to own or operate a commercial airline, shall constitute or be deemed to constitute a Change in Control (as defined in Section 1(D)2 of the Pilot Agreement) or an Acquisition Trigger Event (as defined in Letter 63 of the Pilot Agreement) and ALPA waives irrevocably on its behalf and on behalf of all pilots any of its rights, if any, that would otherwise be triggered in connection therewith (including, by way of example and not in limitation thereof, (i) a restoration of pilots' rates of pay to Book Rates as defined in the Restructuring Agreement, (ii) payment of any amount under the CARS security as specified in the Pilot Agreement as amended by Attachment L of the Restructuring Agreement, (iii) the right to extend the duration of the Pilot Agreement with increases to annual rates of pay as specified in Section 1.D.2 of the Pilot Agreement as amended by the Restructuring Agreement, and (iv) the right to serve a Section 6 notice under the Railway Labor Act as specified in Section 1.D.1 of the Pilot Agreement as amended by the Restructuring Agreement and in connection therewith waives any rights to claim, argue, grieve or sue for any compensation, consequence or remedy with respect thereto. The foregoing waiver does not apply to the vesting provisions with respect to ALPA Stock under the Restructuring Agreement upon a change of control occurring subsequent to the Closing Date under the Investment Agreement.

#### TAG ALONG RIGHTS

In the event that RSA sells, assigns, transfers or otherwise disposes of more than 20% (determined based on the holdings of RSA on the closing date under the Investment Agreement) of its shares of US Airways Group (other than a public sale of such shares through a public securities market in which case ALPA shall be granted piggy back rights in large scale registered offerings), the holders of the ALPA Stock and the beneficiaries of any trust holding the ALPA Stock shall have been afforded the opportunity



to join pro rata (based on the percentage of vested securities then held by a selling party relative to all outstanding vested securities of US Airways Group) in such sale on the same terms and conditions as RSA. Reciprocal tag along rights will be provided to RSA in the event that the holders of the ALPA Stock or the beneficiaries of any trust holding the ALPA Stock sell, assign, transfer or otherwise dispose of more than 20% of the holdings of ALPA Stock (determined based upon the total amount of ALPA Stock granted under the terms of Attachments G and H of the Restructuring Agreement). The foregoing Tag Along rights with respect to RSA and the ALPA Stock shall expire on the earlier of: (1) the fifth anniversary of the closing date, (2) such time as RSA no longer has a right to designate a majority of the Board of Directors of US Airways Group and (3) a sale of US Airways Group (but tag along rights shall apply to such sale).

#### WAR CONTINGENCY

In the event that (a) the U.S. invades Iraq (meaning that the U.S. initiates a sustained aerial bombardment of those parts of Iraq that are not within the current no fly zone or introduces substantial numbers of ground troops into the territory of Iraq), or (b) there is an act of terrorism which in either event has a material adverse impact on commercial aviation, there will be an immediate 5% pay deferral for up to 18 months. The deferral will begin to be repaid starting in the first month following the end of the deferral and will continue to be repaid in as many monthly installments as were covered by the deferral. In the event that US Airways Group reports a pretax profit with respect to any quarter during which the pay deferral is in effect, the deferral will immediately stop and repayment will begin in the next month to continue for the same number of months as were included in the deferral.

#### ALPA FEES AND EXPENSES:

In addition to the unpaid fees and expenses and flight pay loss specified under the Restructuring Agreement, the Company and US Airways Group shall pay reasonable and necessary ALPA fees and expenses incurred through December 13, 2002 in connection with the negotiation of this Letter of Agreement, up to a maximum of \$TBD.

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458 RATIFICATION:

This Letter of Agreement must be approved by **US**  
Airways Group, the Company and the **MEC** on behalf  
of the membership no later than December 13, 2002.





## **Health & Welfare Benefit Changes**

### **ALPA (Pilots)**

**December 11, 2002**

## Health & Welfare Benefit Changes

### Medical/Dental Plan

- Plan design
  - Eliminate cross application of in-and out-of-network expenses toward satisfaction of deductibles and art-of-pocket maximums
  - Reduce out-of-network claim reimbursement level from 90% to 80% R & C
  - Increase brand non-formulary prescription drug copay from \$30 to \$35 for retail (\$70 for mail order)
- Copays, deductibles, OOP maximums
  - Fixed dollar amounts for 2003 - 2005
  - Updated amounts in 2006 based on current 2006 projected amount (Attachment A)
  - 2006 amounts fixed through 2008
- Eligibility
  - No change to retiree medical or dental eligibility
- Employee Contributions
  - Fixed dollar contributions through the end of the contract (Attachment B)
  - Premium equivalents reflect updated cost basis, trend and plan design
    - separate premium equivalents for Active, Pre-65 retirees, and Post-65 retirees
  - Company subsidy of PPO Option 1 - 80/60 plan with full buy up to richer plans
    - 80/60: 15% of expected cost
    - 90/70: 80/60 plan contribution plus full buy-up to 90/70 plan
    - 100/80: 80/60 plan contribution plus full buy-up to 100/80 plan

## Health & Welfare Benefit Changes

### ■ Pre-65 retiree life insurance

Employee Group	Current	New
Basic Life	Employer Paid - Flat amount based on annual retirement income; range (\$15,000 - \$140,000)	Eliminate benefit for current and future retirees
Dependent Life	Employer Paid - Amount in effect at retirement continues	Eliminate benefit for current and future retirees
Optional Life	Retiree may continue amount in effect until age 65 provided contribution payments are made	Eliminate benefit for current and future retirees

### ■ Post-65 retiree death benefit

Current	New
Uninsured death benefit equal to 25% of basic life benefit amount in effect just prior to age 65 (minimum \$10,000; maximum \$37,500)	Eliminate benefit for all post-65 retirees

Note: US Airways will provide indemnification to ALPA as well as apply the System Board of Adjustment procedures for the elimination of Pre-65 retiree life insurance and Post-65 retiree death benefits.

## Health & Welfare Benefit Changes

### Long-Term Disability

Current		New
Contributions	Employer Paid	Employer Paid
Benefit Percentage	50% for the first 48 months	50% for the first 48 months
Monthly Maximum Benefit	Not specified	\$7,500
	After exhaustion of other company benefits (i.e., sick pay, vacation)	6 months - no elimination period for reoccurrence of same disability within 90 days of returning to work
Definition of Disability	Own occupation or inability to pass FAA physical examination	Own occupation or inability to pass FAA physical examination
Offsets	None	Offsets as per Attachment C
	To age 60 for disability recipients and to age 65 for recipients of pension differential benefit	To normal retirement age (currently age 60)
Claims Appeals	Retirement Review Board	Retirement Review Board

Note:

- 1) New plan applies to future claimants. Detailed plan design as per Attachment C.
- 2) Current claimants maintain current plan

### Loss of License

- Eliminate benefit

## Health & Welfare Benefit Changes

### Workers Compensation

	Current	New
Employer paid salary continuance/OII banks	Earns O11 days similar to sick days. Company pays employee full monthly salary, until OII bank is depleted (Company retains W/C statutory check)	Discontinue O11 bank Receive Statutory Benefit
Sick Bank Usage to Supplement W/C payment	Employee can use sick bank once O11 is depleted	May use sick bank up to line value minus 5 hours, unless claim is in excess of half of line value, in which case, may claim up to line value.

Note:

1) New plan for future W/C claimants only.

xhibit A

# US Airways Copays, Deductibles & OOP Maximums

Year	2003	2004	2005	2006	2007	2008
<b>Deductible (single/family)</b>						
80/60 PPO Plan	\$300 \$600	\$300 \$600	\$300 \$600	\$450 \$900	\$450 \$900	\$450 \$900
In-network	\$600 \$1,200	\$600 \$1,200	\$600 \$1,200	\$900 \$1,800	\$900 \$1,800	\$900 \$1,800
Out-of-network	\$150 \$300	\$150 \$300	\$150 \$300	\$225 \$450	\$225 \$450	\$225 \$450
90/70 PPO Plan	\$300 \$600	\$300 \$600	\$300 \$600	\$450 \$900	\$450 \$900	\$450 \$900
In-network	\$150 \$300	\$150 \$300	\$150 \$300	\$225 \$450	\$225 \$450	\$225 \$450
Out-of-network	\$300 \$600	\$300 \$600	\$300 \$600	\$450 \$900	\$450 \$900	\$450 \$900
100/800 PPO Plan	\$150 \$300	\$150 \$300	\$150 \$300	\$225 \$450	\$225 \$450	\$225 \$450
In-network	\$300 \$600	\$300 \$600	\$300 \$600	\$450 \$900	\$450 \$900	\$450 \$900
Out-of-network	\$2,000 \$4,000	\$2,000 \$4,000	\$2,000 \$4,000	\$3,000 \$6,000	\$3,000 \$6,000	\$3,000 \$6,000
<b>OOP Maximum (single/family)</b>						
80/60 PPO Plan	\$4,000 \$8,000	\$4,000 \$8,000	\$4,000 \$8,000	\$6,000 \$12,000	\$6,000 \$12,000	\$6,000 \$12,000
In-network	\$1,000 \$2,000	\$1,000 \$2,000	\$1,000 \$2,000	\$1,500 \$3,000	\$1,500 \$3,000	\$1,500 \$3,000
Out-of-network	\$2,000 \$4,000	\$2,000 \$4,000	\$2,000 \$4,000	\$3,000 \$6,000	\$3,000 \$6,000	\$3,000 \$6,000
100/800 PPO Plan	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A	N/A N/A
In-network	\$2,000 \$4,000	\$2,000 \$4,000	\$2,000 \$4,000	\$3,000 \$6,000	\$3,000 \$6,000	\$3,000 \$6,000
Out-of-network	\$15 \$25	\$15 \$25	\$15 \$25	\$25 \$40	\$25 \$40	\$25 \$40
<b>Office Copays</b>						
Primary Care Physician	\$10 \$20	\$10 \$20	\$10 \$20	\$15 \$30	\$15 \$30	\$15 \$30
Specialist	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
<b>Prescription Drug Copay</b>						
Retail	\$35 \$70	\$35 \$70	\$35 \$70	\$50 \$100	\$50 \$100	\$50 \$100
Generic	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Formulary Brand	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Nonformulary Brand	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Mail Order	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Generic	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Formulary Brand	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60
Nonformulary Brand	\$20 \$40	\$20 \$40	\$20 \$40	\$30 \$60	\$30 \$60	\$30 \$60

US Airways  
Eligible Actives & Inactives- Full Time- ALPA

Attachment B-1

	Grand	PPO 80/60 - Flat 15.0%			PPO 90/70 - Flat 21.7%			PPO 100/80 - Flat 26.8%		
		Ea	Ea + Sh	Ea + Ch	Ea + Sh	Ea + Ch	Ea + Fam	Ea	Ea + Sh	Ea + Ch
2003										
Contribution Base		230.06	460.12	437.59	249.03	498.07	823.00	265.64	530.09	504.00
Employee Contribution		35.00	69.00	66.00	54.00	108.00	178.00	71.00	141.00	134.00
2004										
Contribution Base	15%	264.57	529.14	503.23	286.39	572.78	946.45	305.48	609.60	579.60
Employee Contribution		40.00	79.00	75.00	62.00	124.00	205.00	81.00	162.00	154.00
2005										
Contribution Base	15%	304.26	608.51	578.71	329.35	658.70	1,088.42	351.30	701.04	666.54
Employee Contribution		46.00	91.00	87.00	71.00	143.00	236.00	93.00	186.00	177.00
2006										
Contribution Base	14%	337.73	675.45	642.37	365.58	731.15	1,208.15	389.94	778.15	739.86
Employee Contribution		51.00	101.00	96.00	79.00	158.00	262.00	104.00	207.00	197.00
2007										
Contribution Base	13%	381.63	763.26	725.88	413.11	826.21	1,365.21	440.63	879.31	836.04
Employee Contribution		57.00	114.00	109.00	90.00	179.00	296.00	117.00	234.00	222.00
2008										
Contribution Base	12%	427.43	854.85	812.99	462.68	925.36	1,529.04	493.51	984.83	936.36
Employee Contribution		64.00	128.00	122.00	100.00	201.00	331.00	131.00	262.00	249.00

Prem &amp; Cont ALPA (121002)

December 10, 2002



**US Airways**  
**Eligible Pre-65 Retirees- Full Time-ALPA**

**Attachment B-2**

	Trend	PPO 80/60 - Flat 15.0%			PPO 90/70 - Flat 21.6%			PPO 100/80 - Flat 26.4%		
		Ea	Ea + Sp	Ea + Ch	Ea	Ea + Sp	Ea + Ch	Ea	Ea + Sp	Ea + Ch
2003										
Contribution Base		419.82	839.64	798.46	455.28	909.42	864.81	485.03	970.05	920.86
Employee Contribution		63.00	126.00	120.00	98.00	197.00	187.00	128.00	256.00	243.00
2004										
Contribution Base	19%	482.79	965.59	918.23	523.58	1,045.84	994.53	557.78	1,115.56	1,058.99
Employee Contribution		72.00	145.00	138.00	113.00	226.00	215.00	147.00	295.00	280.00
2005										
Contribution Base	19%	555.21	1,110.43	1,055.96	602.12	1,202.72	1,143.71	641.45	1,282.89	1,217.84
Employee Contribution		83.00	167.00	158.00	130.00	260.00	247.00	170.00	339.00	322.00
2006										
Contribution Base	18%	616.28	1,232.58	1,172.12	688.35	1,335.02	1,269.52	712.01	1,424.01	1,351.80
Employee Contribution		92.00	185.00	176.00	145.00	289.00	275.00	188.00	376.00	357.00
2007										
Contribution Base	17%	696.40	1,392.82	1,324.50	755.24	1,508.57	1,434.56	804.57	1,609.13	1,527.53
Employee Contribution		104.00	209.00	199.00	163.00	326.00	310.00	213.00	425.00	404.00
2008										
Contribution Base	16%	779.97	1,559.96	1,483.44	845.87	1,689.60	1,606.71	901.12	1,802.23	1,710.83
Employee Contribution		147.99	294.00	223.00	183.00	365.00	347.00	238.00	476.00	452.00



**US Airways**  
**Eligible Post-65 Retirees- Full Time- ALPA**

Attachment B-3

		80% Indemnity Contribution = flat 15.0%		90% Indemnity Contribution = flat 23.5%		100% Indemnity Contribution = flat 36.7%	
	Trend	Ee	Ee + Fam	Ee	Ee + Fam	Ee	Ee + Fam
2003							
Contribution Base		181.55	363.09	202.00	404.00	244.00	488.00
Employee Contribution		27.00	54.00	47.00	95.00	89.00	179.00
2004	19%						
Contribution Base		216.04	432.08	240.38	480.76	290.36	580.72
Employee Contribution		32.00	65.00	56.00	113.00	106.00	213.00
2005	19%						
Contribution Base		257.09	514.18	286.05	572.10	345.53	691.06
Employee Contribution		39.00	77.00	67.00	134.00	127.00	253.00
2006	18%						
Contribution Base		295.65	591.31	328.96	657.92	397.36	794.72
Employee Contribution		44.00	89.00	77.00	155.00	146.00	291.00
2007	17%						
Contribution Base		345.91	691.83	384.88	769.77	464.91	929.82
Employee Contribution		52.00	104.00	90.00	181.00	170.00	341.00
2008	16%						
Contribution Base		401.26	802.52	446.46	892.93	539.30	1,078.59
Employee Contribution		60.00	120.00	105.00	210.00	198.00	395.00

December 10, 2002

Printed on Cont PLP (121002)

**Attachment B-4**

80% Plan				100% Plan			
Single Coverage		Family Coverage		Single Coverage		Family Coverage	
E+S Coverage	E+C Coverage	E+S Coverage	E+C Coverage	E+S Coverage	E+C Coverage	E+S Coverage	E+C Coverage
Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65
Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+	Sum <65 Sum 65+
7000 7000	7000 8200	109.00 97.00	14300 106.00	47.00 67.00	114.00 114.00	89.00 87.00	225.00 166.00
32.00 50.00	82.00 84.00	128.00 115.00	164.00 126.00	56.00 77.00	133.00 133.00	106.00 101.00	297.00 314.00
202005	202005	96.00 96.00	148.00 148.00	67.00 88.00	155.00 155.00	127.00 116.00	346.00 389.00
44.00 63.00	107.00 107.00	164.00 152.00	209.00 164.00	77.00 98.00	175.00 175.00	146.00 128.00	390.00 424.00
52.00 72.00	124.00 124.00	103.00 178.00	236.00 186.00	90.00 111.00	201.00 201.00	170.00 146.00	445.00 488.00
202008	202008	140.00 140.00	205.00 212.00	105.00 124.00	228.00 229.00	198.00 161.00	508.00 558.00
50.00 80.00	140.00 140.00	212.00 200.00	265.00 212.00	124.00 152.00	228.00 229.00	361.00 361.00	536.00 596.00

**US Airways  
Managed Dental Plan- ALPA**

## Attachment B-5

	Trend	Eligible Full-time Actives, Inactives & Pre-65 Retirees Flat 15.0% Employee Contribution				Eligible Post-65 Retirees 100% Contribution	
		Fe	Fe + Sp	Fe + Ch	Fe + Fam	Fe	Fe + Sp
2003							
Contribution Base		26.00	52.00	49.00	86.00	26.00	52.00
Employee Contribution		3.90	7.80	7.40	12.90	26.00	52.00
2004							
Contribution Base	6%	28.00	55.00	52.00	91.00	28.00	55.00
Employee Contribution		4.20	8.30	7.80	13.70	28.00	55.00
2005							
Contribution Base	6%	30.00	58.00	55.00	96.00	30.00	58.00
Employee Contribution		4.50	8.70	8.30	14.40	30.00	58.00
2006							
Contribution Base	6%	32.00	61.00	58.00	102.00	32.00	61.00
Employee Contribution		4.80	9.20	8.70	15.30	32.00	61.00
2007							
Contribution Base	6%	34.00	65.00	61.00	108.00	34.00	65.00
Employee Contribution		5.10	9.80	9.20	16.20	34.00	65.00
2008							
Contribution Base	6%	36.00	69.00	65.00	114.00	36.00	69.00
Employee Contribution		5.40	10.40	9.80	17.10	36.00	69.00

**US Airways**  
**Managed Dental Plan-Split Family Rates-ALPA**

**Attachment B-6**

	Eligible Full-Time			Eligible Part-Time		
	Single Coverage	E+S Coverage	E+U Coverage	Single Coverage	E+S Coverage	E+U Coverage
Year	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65	Ret 65+ Ret <65
2003	26.00 3.90	29.90 29.90	29.90 7.40	pet 65+ Ret <65 26.00 7.80	Ret 65+ Ret <65 33.80 33.80	Sps <65 Sps 65+ Sps <65 Sps 65+ 40.80 59.80 25.80 40.80
2004	28.00 4.20	32.20 32.20	32.20 7.80	28.00 8.40	36.40 36.40	43.60 64.40 27.40 43.60
2005	30.00 4.50	34.50 34.50	34.50 8.30	30.00 9.00	39.00 39.00	46.60 69.00 28.80 46.60
2006	32.00 4.80	36.80 36.80	36.80 8.70	32.00 9.60	41.60 41.60	49.40 73.60 30.60 49.40
2007	34.00 5.10	39.10 39.10	39.10 9.20	34.00 10.20	44.20 44.20	52.40 78.20 32.40 52.40
2008	36.00 5.40	41.40 41.40	41.40 9.80	36.00 10.80	46.80 46.80	55.60 82.80 34.20 55.60



**U.S AIRWAYS**

January 8, 2003

Captain Chris Beebe  
MEC Chairman  
Air Line Pilots Association  
One Thorn Run Center  
Coraopolis, PA 15108

Dear Captain Beebe:

This will confirm that the Company agrees to indemnify the Association from any and all liability, loss, damages, fines, penalties, excise taxes and costs, including expenses and reasonable attorneys' fees, which the Association sustains arising out of or in connection with the Company's elimination of the pre-65 retiree life insurance and post-65 retiree death benefit.


The Association agrees that it will not settle a matter covered by this indemnity at the Company's cost without the Company's approval, and that the Association will provide assistance as reasonably required or requested by the Company in any matter for which such indemnity is being provided.

In addition, if a retired employee who retired prior to the elimination of the pre-65 retiree life insurance and post-65 retiree death benefit disputes the elimination of these benefits, the retired employee may refer the matter to the System Board of Adjustment in accordance with Section 21 of the Pilots Agreement.

Sincerely,

Anthony J. Bralich Jr.  
Managing Director, Labor Relations - Flight

AGREED:

 1/8/03  
Captain Chris Beebe Date  
MEC Chairman

## **Pilot Pension Plan Changes**

- The Pension credit shall be reduced prospectively to a 1.8% accrual formula for the first 25 years and 1% accrual for the next 5 years (26 – 30) with a cap of 50% (accruals above 50% as of 12/31/02 to be grandfathered)
- Eliminate lump sum and subsidized joint and survivor payment options on future accruals
- Eliminate Service Credit while on furlough prospectively, i.e., applies to Service Credit for pilots who have been furloughed on or after October 15, 2001 (including pilots hired prior to 1/1/98) for the period of January 1 2003 and beyond.
- Annual cash contributions shall not exceed contributions as determined by the PBGC under a Restoration Funding Program except for contributions made under the Enhanced Profit Sharing Program

Note: Any pension modifications required by the PBGC that would require an amendment to the Supplementary Cost Reductions Letter of Agreement shall be subject to MEC ratification on behalf of the membership

<b>US Airways</b> <b>Pilot Long Term Disability Plan – Effective 1/1/03</b>	
<b>Provisions</b>	
■ <b>Eligibility</b>	
— Employee status	Full-time active pilots (excluding furloughed pilots)
— Effective date of coverage	Date of hire
— Pre-existing condition limitations	3/12 (conditions treated within the 3 months prior to eligibility for disability benefits are not covered within the first 12 months of eligibility for disability benefits)
■ <b>Elimination period</b>	5 months (except for reoccurrence of the same disability within 90 days of returning to work)
■ <b>Definition of disability</b>	The inability of a participant to perform the duties of his/her own occupation because of a medical condition such as illness, injury or pregnancy or inability to pass the FAA physical examination as determined by a physician.
■ <b>Benefit Schedule</b>	<ul style="list-style-type: none"> <li>■ 50% of average monthly salary for first 48 months</li> <li>■ If permanently and totally disabled after 48 months – 50% benefit continues</li> <li>■ If not permanently and totally disabled after 48, the benefits as follows: <ul style="list-style-type: none"> <li>— Age 40+ or 10 or more year of service: 50% benefit</li> <li>— Age 39 or 9 years of service: 48% benefit</li> <li>— Age 38 or 8 years of service: 46% benefit</li> <li>— Age 37 or 7 years of service: 44% benefit</li> <li>— Age 36 or 6 years of service: 42% benefit</li> <li>— Less than Age 36 or less than 6 years of service: 40% benefit</li> </ul> </li> <li>■ Monthly maximum of \$7,500</li> <li>■ No COLA</li> <li>■ Seat change procedure as per current LTD plan</li> </ul>
— Covered compensation	Benefit eligible earnings as defined by US Airways
■ <b>Medical treatment</b>	Failure to adhere to any conditions below may result in the termination of disability benefit payments
— Provider qualifications	<p>A treating provider must have the following qualifications:</p> <ul style="list-style-type: none"> <li>— Licensed to practice medicine, to prescribe and administer drugs, and to treat patients and perform surgery, or</li> <li>— Licensed practitioner of the healing arts</li> </ul> <p>Provider must also practice within the scope of his/her license.</p> <p>Claimant must be under the care of a provider whose specialty or experience is appropriate for treatment of the disabling condition(s)</p>
— Refusal of treatment	Claimants must accept appropriate treatment or advice based on medical necessity.

<b>US Airways</b> <b>Pilot Long Term Disability Plan – Effective 1/1/03</b>	
— Compliance with treatment	<p>The claimant must comply with the provider's recommended treatment. Adherence may include keeping appointments with providers, taking medications as prescribed or following recommended diet and exercise programs.</p> <p>Claimant must comply with only reasonable non-invasive procedures.</p>
— Medical evaluations	<p>Claimant may be requested to undergo an independent medical evaluation, including an assessment by a psychiatrist or psychologist</p>
■ Exclusions and limitations	<ul style="list-style-type: none"> <li>— Disability benefits are not paid for conditions not covered under the US Airways medical plan</li> <li>— Elective cosmetic surgery</li> <li>— Intentionally self-inflicted injuries</li> <li>— Injuries or illnesses associated with the participation in a felony or while incarcerated</li> <li>— Injuries or illnesses associated with war or act of war (whether declared or not) or participation in a riot</li> <li>— Non-verifiable symptoms that cannot be substantiated by tests, procedures or clinical examinations typically accepted in the practice of medicine</li> </ul>
■ Offsets	<ul style="list-style-type: none"> <li>— SSDI</li> <li>— Earnings from other employment that exceed 50% of pre disability earnings</li> <li>— Pension benefits</li> <li>— State disability benefits</li> <li>— Severance pay</li> <li>— Disability benefits, denominated as such, from no fault auto insurance that exceed 100% of pre disability earnings.</li> <li>— Workers compensation (temporary disability, partial disability, permanent disability and scheduled injury awards), occupation disease or similar benefits</li> <li>— Group disability benefits from other employers that exceed 100% of pre disability earnings.</li> <li>— Any lump sum payments, settlements or distributions from any of the above referenced programs or any other source to the extent that the lump sum payment or distribution is on account of the injury or illness causing or contributing to the disability covered by this plan and to the extent that such funds exceed 100% of projected pre-disability earnings over the remainder of the pilot's career.</li> </ul>



■ Termination of benefits	<ul style="list-style-type: none"><li>— Failure to comply with the terms and responsibilities of the plan</li><li>— The date the claimant is no longer qualified by the FAA to serve as a pilot for US Airways for any reason other than Disability (currently age 60).</li><li>— Definition of disability is not met</li><li>— Exceeded maximum duration of benefits</li><li>— Recipient dies</li></ul>
	Maintain Retirement Board



## U-S AIRWAYS

David N. Siegel  
President and Chief Executive Officer

December 13, 2002

Captain Chris Beebe  
MEC Chairman  
Air Line Pilots Association  
One Thorn Run Center  
Coraopolis, PA 15108

### **E: 002 Supplementary Cost Reductions and Pension Plan Changes**

Dear Captain Beebe:

As you know, some uncertainty exists regarding the status of the Company's request for long term funding relief under a restoration or waiver funding program for the US Airways Pilots Pension Plan (the "Plan").

If the PBGC and IRS reject the Company's request for long term funding relief and this results in the termination of the Plan, the freezing of the plan or significant modification in Plan benefits from those negotiated in the 2002 Supplementary Cost Reduction Agreement ("Agency Action"), the parties agree to meet and confer for the purpose of negotiating alternate pilot retirement benefits.

If the Plan is terminated, the alternate pilot retirement plan shall provide benefits, from and after the effective date of the termination (the "Effective Date"), that resemble, in the aggregate, the benefits pilots would have earned from and after the Effective Date under the existing Plan (reflecting all recent amendments in the 2002 Supplementary Cost Reduction Agreement) absent the termination (and taking into account the effect of termination on existing benefits); provided, however, that (i) the alternate pilot retirement benefits plan shall be designed in such a way that it is not objectionable to PBGC or IRS or contrary to their rules, (ii) the alternate pilot retirement benefit plan may take the form of a defined contribution plan, and (iii) while the Company's cash cost in providing the alternate pilot retirement benefit plan described above (together with any cash cost the Company must bear with respect to the terminated Plan) may be less than the Company's cash cost under the proposed restoration funding program for the Plan (taking into account variations in interest rates), its cash cost may in no event exceed such restoration funding cash cost in any year.


The parties further agree that agreement to the terms of this letter in no way diminishes their commitment to vigorously seek a restoration funding program.

Captain Chris Beebe  
Page 2  
December 13, 2002

Finally, the terms of this letter shall remain confidential until such time as Agency Action, as defined above, occurs.

Sincerely,

  
David N. Siegel

  
Agreed and accepted  
Chris Beebe  
MEC Chairman